ATTACHMENT A

EXHIBIT 1

CV of Douglas A. Dawson

I received a Bachelor of Science in Accounting from the University of Maryland in 1977 and a Masters degree in Mathematics from the University of California at Berkeley in 1985.

I began my telephone career in 1975 as a test technician building telephone switches for Litton Industries in College Park, Maryland. In this position I did system integration testing and learned in detail how early digital switches operate.

My next telephone job began in 1978 with John Staurulakis, Inc. ("JSI"). JSI is a telephone consulting firm that specializes in consulting for independent telephone companies (those smaller telephone companies that were not part of the Bell System). In this job, I worked on separations cost of service studies for independent telephone companies. In this role, I had my first detailed exposure to developing the costs of providing telephone service. Additionally, I performed numerous traffic studies for switches. These studies were used to determine the patterns of customer usage for switches and costs, as well as the most efficient way to configure the switch and the network.

Next, in 1981, I became a Staff Manager of Industry Relations at Southwestern Bell Telephone Company, now known as SBC, in St. Louis, Missouri. My functions there included tracking issues that impacted Bell's relationships with the independent telephone industry, calculating and negotiating various interconnection and settlement rates between companies for local calling and other network arrangements, and overseeing the review of an independent telephone company's traffic and toll cost studies. In performing the traffic studies, I had hands on experience working with measuring usage on a number of different brands of switches. I also served for a period of time as a member of the rate case team for the Missouri operations. In working on rate cases, I further developed my knowledge of calculating and developing telephone costs.

In my next position, beginning in 1984, I gained operating telephone company experience at CP National in Concord, California. CP National was a holding company that owned, among other entities, 13 telephone companies. I had several jobs with increasing responsibility and ended as Director of

Revenues. In that capacity, I oversaw a large group that performed telephone accounting, separations and traffic engineering studies for a seven-state area. My group also monitored earnings, developed access and local rates, maintained tariffs, filed rate cases, and monitored and commented in state and federal regulatory proceedings. In this role, I was directly responsible for setting rates and for defending those rates in front of various regulatory authorities. Thus, I testified in a number of rate-making cases and regulatory proceedings in California, Texas, Nevada, Oregon, Arizona and New Mexico. Part of my responsibility at CP National included calculating costs and setting rates for four separate operator centers where the company maintained telephone operators for completing collect and other types of operator-assisted calls. While at CP National, I also became responsible for earnings monitoring and rate case development for electric, gas and water properties.

In my next position, in 1991, I again joined John Staurulakis, Inc. in various capacities. My final position there was as Director of Special Projects. In that capacity, I oversaw all projects and clients who were not historically part of JSI's core cost separations business. Some of the projects I worked on included assisting clients in launching long distance companies and Internet service providers; studying and implementing traditional and measured local calling plans; developing optional toll and local calling plans; performing embedded, Total Element Long-Run Incremental Cost ("TELRIC") and incremental cost studies for products and services; assisting in local rate case preparation and defense; and conducting cross-subsidy studies determining the embedded overlap between telephone services. In this role, I gained more in-depth experience in long distance rate setting and the regulatory process. I also became thoroughly familiar with the underlying costs of running a long distance company and providing telephone service.

In 1997, I became a founder and owner of Competitive Communications group, LLC. My title at CCG is President and Chief Technical Officer, and I am directly responsible for all of the consulting work performed by our company. The company began with 3 employees in April 1997 and currently has 18 employees.

As a firm, we offer the following telephone consulting products and services that are needed by companies that are launching new ventures or entering new markets, all under my direct control and supervision:

- Engineering services, including: analysis of telephone hardware for switching and networks; detailed network design and development; developing switching specifications and provisioning new switches into service; developing RFPs and analyzing vendors;
- Development of financial business plans;
- Market segmentation studies to better understand customers;
- Competitive research, including rates and services of other providers;
- Strategic analysis and planning;
- Marketing plans;
- Regulatory work, including: certification of companies to provide service; development and filing of tariffs; and regulatory compliance oversight;
- Implementation assistance for start-up companies, including: negotiating interconnection agreements with carriers; negotiating network implementation and collocation of equipment with other carriers; choosing vendors for billing, back office, operator services and other external requirements; ordering trunks (telephone lines that go between different networks); detailed hands-on project management;
- Assistance in developing and implementing accounting systems;
- Development of rates; and
- Calculation of costs.

<u>Previous Testimony</u>

Illinois Commerce Commission. 2003. Docket No. 02-147. Complaint against Verizon concerning Interconnection Issues and Sharing of Facilities.

West Virginia Public Service Commission. 2002. Case No 02-0809-T-P. Verizon 271 Proceeding.

West Virginia Public Service Commission. 2002. Case No 02-0254-T-C. Complaint against Verizon concerning the Use of Numbers and the Sharing of Facilities.

Maryland Public Service Commission. 2002. Case No 8910. Complaint against Verizon concerning the Availability of Dark Fiber.

Maryland Public Service Commission. 2002. Case No 8911. Verizon 271 Proceeding.

Maryland Public Service Commission. 2001. Case No 8881. Complaint against Verizon concerning the Sharing of Facilities.

Washington Public Service Commission. 2001. Docket Number UT-000883. Investigation into Rate Zones and Loop Pricing.

New York Public Service Commission. 2001. Investigation into Unbundled Loop Pricing.

New York Public Service Commission. 2000. Case No. 99-C-1337. Dispute concerning Unbundled Network Pricing between ALLTEL and Fairpoint Communications, Inc.

New York, Court of Claims. 2001. Case No. 103138. Competition in Prison Calling.

Federal Communications Commission. 2002. Docket CC-01-338. Facts and Data supporting CLEC Competition.

Prior to these proceedings, I also testified approximately 50 times in the mid-1980's at the state Commissions in California, Nevada, Oregon, Washington, Texas, New Mexico, Arizona and Utah. These filings were all done on behalf of CP National, a regulated telephone company. Filings included such topics as the establishment of access charge rates, the setting of rates in local rate cases, the deregulation of CPE, payphone issues, inside wiring and other issues.

ATTACHMENT A

EXHIBIT 2

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 10 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

Or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period __________ to __________

Commission File Number 333-33639

EVERCOM, INC.
(Exact Name of Registration as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporated or Organization)	75-2680266 (I.R.S. Employer Identification Number)
8201 Tristar Drive Irving, Texas (Address of Principal Executive Offices)	75063 (Zip Code)

Registrant's telephone number, including area code-972.988.3737

Securities registered pursuant to Section 12 (b) of the Act.

None
(Title of Each Class)

Securities registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

EVERCOM, INC.
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Form 10-K Report
December 31, 2000

PART I

ITEM 1. BUSINESS

General

Evercom, Inc. (the "Company") is an independent provider of collect and prepaid calling services to local, county, state, federal and private correctional facilities in the U.S. The Company derives substantially all of its revenues from its operation of inmate telecommunications systems located in correctional facilities in 43 states and the District of Columbia.

The Company's inmate telecommunications business consists of owning, operating, servicing, and maintaining a system of automated operator switches and telephones located in correctional facilities. Generally, inmates may make only collect or prepaid calls from correctional facilities. The Company generally enters into multi-year agreements with correctional facilities pursuant to which the Company serves as exclusive provider of telecommunications services to inmates within the facility. In exchange for the exclusive service rights, the Company pays a percentage of its revenues from each correctional facility to that facility as a commission. Typically, the Company installs and retains ownership of the telephones and related equipment.

Significant costs typically associated with providing telecommunication services to correctional facilities include uncollectible accounts, network, and billing expenses. The Company has developed an integrated call management and billing system to help control these expenses. This system limits inmates to collect or prepaid calls; validates and evaluates the payment history and account status of each number dialed; confirms that the destination number has not been blocked; and processes call records for billing through a third party. To facilitate billing, the Company has entered into 29 separate agreements with regional bell operating companies ("RBOCs") and local exchange carriers ("LECs"), allowing the Company to primarily bill directly through the RBOCs and LECs although the Company utilizes third party billing services to a limited extent.

The Company uses its experience in billing, collection, and control of uncollectible accounts to offer specialized billing and collection services to other inmate telecommunications service providers. These services are referred to as the Company's "Solutions" services. The Company provides Solutions services to a major RBOC, under which the Company performs all of the validation, billing, and collection services for the RBOC's inmate calls. The Company provides similar services to several other inmate telecommunications providers.

The Company was formed in December 1996 to consummate the acquisitions of AmeriTel Payphones, Inc. ("AmeriTel") and Talton Telecommunications Corporation and its subsidiary ("Talton Telecommunications"). In addition to the acquisition of its predecessors, AmeriTel and Talton Telecommunications, the Company also acquired the operations of Tri-T, Inc. ("Tataka") on April 2, 1997, Security Telecom Corporation ("STC") on June 27, 1997, Correctional Communications Corporation ("CCC") on July 31, 1997, the inmate telecommunications division of Communications Central, Inc. ("InVision") on October 6, 1997, the inmate telecommunications division of North American InTeleCom ("NAI") on December 1, 1997, the inmate telecommunications division of Peoples Telephone Company, ("PTC") on December 18, 1997, the inmate telecommunications division of ILD Teleservices, Inc. ("ILD") on January 1, 1998, MOG Communications, Inc. ("MOG") on February 1, 1998, Saratoga Telephone Co., Inc. ("Saratoga") on July 1, 1998, and the inmate telecommunications divisions of Alliance Tel-Com, Inc., KR&K Communications, Inc., U.S. Connect, Inc., Tele-Communications, Inc., and Lake-Tel, Inc. (collectively, "Alliance") on June 1, 1999, (collectively the "Acquisitions").

Special Note Regarding Forward-Looking Information

Certain statements in this Annual Report on Form 10K constitute forward-looking statements. These forward-looking statements are all statements that are not statements of historical fact or that might otherwise be considered opinion, belief, or projection. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, levels of activity, performance, or achievements of the Company, or industry results, to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. The risks, uncertainties, and other factors to which forward looking statements are subject include, among others, those set forth under the caption "Risk Factors". All subsequent written or oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by such factors.

In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology. Although the Company believes that the assumptions and expectations reflected in such forward-looking statements are reasonable, as a result of the foregoing and other factors, no assurance can be given as to future results, levels of activity, performance, or achievements, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. All forward-looking statements included in this Annual Report on Form 10-K are based on information available to the Company on the date hereof, and the Company is under no duty to update any of the forward-looking statements after the date hereof.

Industry Overview

The U.S. has one of the highest incarceration rates of any country in the world. According to the United States Bureau of Justice Statistics, the number of inmates incarcerated in federal and state prisons and in city and county correctional facilities increased from 1.1 million at June 30, 1990 to approximately 1.9 million at June 30, 2000. Of this total, the Company estimates approximately two-thirds were housed in state and federal prisons, with the remainder in city and county facilities. The United States Bureau of Justice Statistics also reports that the number of inmates incarcerated in the U.S. increased by 3% between 1999 and 2000.

The inmate telecommunications industry places unique demands on telecommunications systems and service providers. Security and public safety concerns associated with inmate telephone use require that correctional facilities use call processor technology, which allows the facilities to control inmate access to certain telephone numbers and to monitor inmate telephone activity. In addition, concerns regarding fraud and the called parties' failure to pay for inmate collect calls require systems and procedures unique to this industry.

Inmate telephones in the U.S. are operated by a large and diverse group of service providers. Large telecommunications companies such as RBOCs, other LECs, and interexchange carriers ("IXCs") such as AT&T Corp. ("AT&T"), MCI WorldCom, and Sprint Corporation provide inmate telecommunications in addition to other services. In addition, independent public pay telephone and inmate telephone companies also focus on this market segment. The Company estimates that, as of December 31, 2000, the

Products and Services

The Company has developed its products and services to meet the needs of the inmate telecommunications market. The Company offers the following products and services as part of its core inmate telecommunications business:

(a) Inmate Collect Call Services. The Company provides collect call services on an exclusive basis to its inmate facility customers during the term of the facility's contract. The majority of calls made by inmates from correctional facilities are collect calls, with the balance of the calls being prepaid which in combination comprise a majority of the Company's total revenues.

(b) Prepaid Services. The Company provides prepaid services to inmates and called parties. Prepaid services either allow the recipient of an inmate call to pay in advance for collect calls placed to the recipient or allow inmates to pay in advance for telephone calls placed by that inmate. The Company sells prepaid accounts directly to the called parties. The Company also sells prepaid accounts to correctional facilities at a discount to their face value, which facilities in turn sell at face value to inmates at those facilities. Prepaid services have minimal associated uncollectible account expenses and minimal billing and collection costs. The Company's prepaid services revenues comprise a small percentage of the Company's revenues, but these revenues have been increasing and are expected to continue increasing as a percentage of total revenue due to the Company's prepaid sales initiatives and overall increasing popularity.

(c) Solutions Services. The Company uses its experience in billing and collections and management of uncollectible accounts to offer specialized Solutions services for other inmate telecommunications service providers. The Company is pursuing opportunities to market these services to RBOCs, LECs, IXCs, and other inmate telecommunications providers. The Company currently provides Solutions services to a major RBOC, under which the Company performs all of the validation, billing, and collection services for the RBOC's inmate calls. Under the terms of the agreement, the Company acquires at a discount the related accounts receivable from the RBOC for the calls that the Company processes. When the receivables are purchased, the Company accepts responsibility for all validation, uncollectible accounts, billing and collections costs, with no recourse to the RBOC. However, under the terms of the agreement, all purchased receivables must be processed and validated through the Company's call management and billing system. The Company's revenues from this service equal the difference between the face value of the receivables purchased and the amount it pays the RBOC for the discounted accounts receivable. The contract term is through January 31, 2003 and has no minimum volume commitment. In February 2001, the RBOC notified the Company of its plans to exit the inmate market by the end of 2002 and consequently, the Company expects its revenues to gradually decline from this contract over the next two years. The Company may not have the ability to replace this revenue although it is reasonable to expect that some portion of this RBOC's customers will be converted to Evercom's traditional inmate business. The Company provides similar Solutions services to several other inmate telecommunications providers.

(d) Call Processor Services. The Company has developed proprietary call processor technology to service its correctional facility accounts. The Company also markets this technology to other inmate telecommunications providers and derives revenue from the technology in the form of hardware and software sales.

Billing Arrangements

The Company uses direct and third party billing agreements to bill and collect phone charges. Under direct billing agreements with LECs, the LEC includes collect call charges for the Company's services on the local telephone bill sent to the called party. The Company generally receives payment from the LEC for such calls 30 to 60 days after the end of the month in which the calls are submitted to the LEC for billing. The payment received by the Company is net of a service fee, write-offs of uncollectible accounts, and an estimated reserve for future uncollectible accounts.

Unlike many smaller independent service providers with lower telecommunications traffic, the Company has been able to enter into direct billing agreements with local exchange carriers ("LECs") in most of its markets because of the Company's high market penetration. The Company's increased telecommunications traffic has enabled the Company to enter into 29 direct billing arrangements that allow the Company to direct bill approximately 95% of its collect call revenues in December 2000.

In the absence of a direct billing arrangement, the Company bills and collects its fees through a third-party billing and collection clearinghouse that in turn has a billing and collection agreement with the LEC. When the Company employs a third-party billing and collection clearinghouse, the account proceeds are forwarded by the various LECs to the clearinghouse, which then forwards the proceeds to the Company, less a processing fee that varies from 2% to 3% of billed revenues.

The Company's specialized call management and billing system integrates its direct billing arrangements with LECs with its call blocking, validation, and customer inquiry procedures. This system has also provided the Company with the opportunity to market its billing and collection services to third parties under its Solutions services.

Systems

The Company utilizes a call management and billing system that consists of purchased and internally developed software applications and specialized equipment. This system limits inmates to collect or prepaid calls, validates and verifies the payment history and account status of each number dialed for billing purposes, and confirms that the destination number has not been blocked. The Company installs its internally developed call management system ("CAM") within facilities that provides features such as call monitoring and recording capability. The Company also installs third party call processor technology primarily in smaller facilities.

The Company's database of telephone numbers and call activity provides valuable data to assist the Company in reducing uncollectible accounts and allows the Company to provide extensive call activity reports to correctional facilities and law enforcement authorities. These include reports of frequently called numbers, calls of longer than normal duration, and calls by more than one inmate to the same number, which can assist law enforcement authorities in connection with ongoing investigations.

Other Operations

The Company owns, operates, services, and maintains a system of microprocessor controlled public pay telephones that are ancillary to its inmate telecommunications business, and occasionally installs public pay telephones as an accommodation to, or pursuant to a contract requirement imposed by, its correctional facility customers.

Competition

In the inmate telecommunications business, the Company competes with numerous independent providers of inmate telephone systems, including RBOCs, LECs, and IXCs. Many of the Company's competitors are larger and better capitalized with significantly greater financial resources than the Company. The Company believes that the principal competitive factors in the inmate telecommunications industry are (i) rates of commissions paid to the correctional facilities; (ii) system features and functionality; (iii) system reliability and service; (iv) the ability to customize inmate call processing systems to the specific needs of the particular correctional facility; and (v) relationships with correctional facilities.

Inmate telephones in the U.S. are operated by a large and diverse group of service providers. Large telecommunications companies such as RBOCs, other LECs, and IXCs such as AT&T, MCI WorldCom, and Sprint Corporation provide inmate telecommunications in addition to other services. In addition, independent public pay telephone and inmate telephone companies also focus on this market segment.

Regulation

The inmate telephone industry is regulated at the federal level by the Federal Communications Commission (the "FCC") and at the state level by the public utility commissions of the various states. In addition, from time to time, legislation may be enacted by Congress or the various state legislatures that affects the telecommunications industry generally and the inmate telephone industry specifically. Court decisions interpreting applicable laws and regulations may also have a significant effect on the inmate telephone industry. Changes in existing laws and regulations, as well as the adoption of new laws and regulations applicable to the activities of the Company or other telecommunications business could have a material adverse effect on the Company.

Federal Regulation

Prior to 1996, the federal government's role in the regulation of the inmate telephone industry was limited. The enactment of the Telecommunications Act of 1996 (the "Telecom Act"), however, marked a significant change in the scope of federal regulation of inmate telephone service. Section 276 of the Telecom Act directed the FCC to implement rules to overhaul the regulation of the provision of pay telephone service, which Congress defined to include the provision of inmate telephone service.

Before adoption of the Telecom Act, LECs generally included inmate telephone operations as part of their regulated local exchange telephone company operations. This allowed the LECs to pool revenue and expenses from their monopoly local exchange operations with revenue and expenses from their inmate telephone operations. This commingling of operations made possible the subsidization of the LECs' inmate operations through other regulated revenues. The LECs were also able to shift certain costs from their inmate operations to their local exchange monopoly accounts. In particular, the LECs were able to pool the bad debt from their inmate operations with their other bad debt. Because independent inmate telephone service providers act as their own carrier, they bear the risk of fraudulent calling and uncollectible calls and other bad debt. Bad debt is substantially higher in the inmate telephone industry than in other segments of the telecommunications industry. The LECs' practice of pooling bad debt shifts the high costs of bad debt from inmate telephone operations to the expense accounts of other LEC operations, presenting a vehicle for the cross-subsidization of the LECs' inmate operations. This, in turn, has allowed the LECs to offer commissions to correctional facilities that are

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is currently no established public trading market for the Registrant's issued and outstanding capital stock.

As of December 31, 2000, there were fifty-two holders of the Company's Class "A" common stock (the "Common Stock") and four holders of the Company's Class "B" common stock (the Class "B" Common Stock).

There have been no cash dividends declared on the Common Stock from the period January 1, 1996, through December 31, 2000. The Indenture (the "Indenture") governing the Company's Series "A" and Series "B" Senior notes Due 2007 and the Company's senior credit facility, as amended and restated (the "Senior Credit Facility") contain certain restrictive covenants that are likely to materially limit the future payment of dividends on the Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table sets forth information with respect to all securities sold by the Company for the Company's last fiscal year that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). All securities sold and not registered were sold in transactions not involving a public offering under Section 4 (2) of the Securities Act.

Securities sold	Date	Person Acquiring Securities	Amount	Consideration	Use of Proceeds	Terms of Conversion of Exercise

-None-

ITEM 6: SELECTED FINANCIAL DATA - (in thousands)

The following selected consolidated financial data of the Company and its combined predecessors for each of the five years in the period ended December 31, 2000, have been derived from the Company's audited financial statements.

The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included elsewhere in this Form 10-K.

	Combined Predecessors	The Company				
	Eleven Months Ended Nov 30, 1996	One Month Ended Dec 31, 1996	YEARS ENDED DECEMBER 31, 1997	1998	1999	2000
Operating Data:						
Operating Revenues	$ 53,663	$ 5,506	$ 91,773	$225,293	$236,801	$234,510
Operating Expenses:						
Telecommunication costs	23,317	2,299	37,871	99,843	104,376	95,622
Facility commissions	13,962	1,455	25,724	71,206	71,359	75,702
Field operations and maintenance	1,816	219	4,543	7,817	6,428	6,668
Selling, general and administrative	3,921	372	8,540	17,661	17,214	17,748
Depreciation and impairment	1,538	111	2,219	6,692	7,200	8,144
Amortization of intangibles	1,746	741	14,243	26,339	21,527	14,920
Restructuring and other charges (income)	684		400	1,743	(69)	
Total operating expenses	46,984	5,197	93,540	231,301	228,035	218,804
Operating Income (loss)	6,679	309	(1,767)	(6,008)	8,766	15,706
Other (income) expenses:						
Interest expense, net	1,469	612	11,138	19,638	19,458	19,362
Other (income) expenses, net	27	(20)	(76)	(236)	(7)	(55)
Total other (income) expense	1,496	592	11,062	19,402	19,451	19,307
Income (loss) before income taxes and extraordinary loss	5,183	(283)	(12,829)	(25,410)	(10,685)	(3,601)
Extraordinary loss	52		4,740			
Income tax (benefit) expense	1,917	(23)	(642)	476	450	553
Net Income (Loss)	$ 3,214	($ 260)	($16,927)	($25,886)	($11,135)	($4,154)
OTHER DATA:						
EBITDA (1)	$ 9,936	$ 1,181	$ 14,771	$27,259	$37,500	$38,825
Net cash provided by (used in) operating activities	7,300	(1,419)	6,048	4,258	15,898	20,209
Net cash used in investing activities	(7,515)	(47,252)	(90,757)	(23,384)	(12,138)	(12,161)
Net cash provided by (used in) financing activities	(547)	48,966	92,193	13,039	(3,463)	(5,841)
Capital expenditures (2)	2,804	269	8,063	13,592	8,397	10,222
Ratio of earnings to fixed charges (3)	4.2					
Deficiency of earnings to fixed charges		$283	$12,829	$25,410	$10,685	$3,601
BALANCE SHEET DATA: (AT END OF YEAR)						
Cash and cash equivalents	$ 531	$ 294	$ 7,778	$ 1,692	$ 1,988	$ 4,195
Total assets	$ 34,708	$ 80,134	$ 189,388	$ 191,466	$ 172,109	$ 162,456
Total debt (including current maturities)	$ 14,845	$ 63,315	$ 166,736	$ 180,483	$ 172,666	$ 166,627
Total stockholders' equity (deficit)	$ 9,361	$ 6,481	($ 10,020)	($ 36,113)	($ 42,998)	($ 48,026)

(1) For the purpose of this Form 10-K, EBITDA means income before interest, income taxes, depreciation, and amortization. Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles, the Company has included information concerning EBITDA in this Form 10-K because it is commonly used by certain investors and analysts as a measure of a company's ability to service its debt obligations and is a component of the Company's debt compliance ratios. EBITDA should not be used as an alternative to, or be considered more meaningful than operating income, net income, or cash flow as an indicator of the Company's operating performance.

(2) Capital expenditures include only amounts expended for purchases of property and equipment and the implementation of facility contracts and excludes cash outflows for acquisitions.

(3) Earnings are defined as earnings (loss) before income taxes from continuing operations and fixed charges. Fixed charges are defined as interest expense and a portion of rental expense representing the interest factor, which the Company estimates to be one-third of rental expense, and amortization of deferred financing expense. This calculation is a prescribed earnings coverage ratio intended to present the extent to which earnings are sufficient to cover fixed charges, as defined.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties. See "--Special Note Regarding Forward-Looking Information."

Overview

The Company is an independent provider of collect and prepaid calling services to local, county, state, and private correctional facilities in the U.S. The Company derives substantially all of its revenues from its operation of inmate telecommunications systems located in correctional facilities in 43 states and the District of Columbia. As of December 31, 2000, the Company served 1,936 correctional facilities.

The Company's inmate telecommunications services consist of collect call and prepaid services. The Company enters into multi-year agreements (generally three to five years) with the correctional facilities, pursuant to which the Company serves as the exclusive provider of telecommunications services to inmates within each facility. In exchange for the exclusive service rights, the Company pays a percentage of its revenue from each correctional facility as a commission to that facility. Typically, the Company installs and retains ownership of the telephones and related equipment and provides additional services to correctional facilities that are tailored to the specialized needs of the correctional industry and to the requirements of the individual correctional facility, such as call activity reporting and call blocking. The Company also generates revenues from public pay telephones that are ancillary to its inmate telephone business.

The Company accumulates call activity data from its various installations and bills its revenues related to this call activity through LECs or through third-party billing services. In addition, the Company accrues the related telecommunications costs for validating, transmitting, billing and collection, and allowances for uncollectible accounts based on historical experience.

period, from 33.7% in 1998 to 35.7% in 2000. This increase is due primarily to higher facility commissions on contracts obtained by the Company through acquisitions, competition for larger facilities, and increased commission rates on renewals. Commission rates are expected to gradually increase as a percentage of revenues in the future. The overall commission percentage to total revenues of 32.3% in 2000 includes the effect of the Solutions services provided under the Company's agreements with a major RBOC and other inmate telecommunications carriers, under which no commissions are paid.

Field Operations and Maintenance. Field operations and maintenance consist of maintenance costs associated with inmate phones and related equipment. These costs are relatively small and more constant components of operating expense.

Selling, General, and Administrative. SG&A expenses consist of corporate overhead and selling expense. These costs are also relatively small and more constant components of operating expenses.

Restructuring Costs. The Company integrated its acquired operations into its existing operations, which resulted in a restructuring charge of $1.2 million in 1998.

Company History. The Company became the holding company for the operations of its predecessors, AmeriTel and Talton Telecommunications, effective December 1, 1996. The Company also acquired the operations of Tataka on April 2, 1997, STC on June 27, 1997, CCC on July 31, 1997, InVision on October 6, 1997, NAI on December 1, 1997, PTC on December 18, 1997, ILD on January 1, 1998, MOG on February 1, 1998, Saratoga on July 1, 1998, and Alliance on June 1, 1999. The Company has completed the Acquisitions, which have been accounted for using the purchase method of accounting and the Company's results of operations therefore reflect the operations of these companies only subsequent to the effective dates of their respective acquisitions.

The Company's overall telecommunications costs as a percentage of revenues of 40.8% for 2000 and 44.1% for 1999 include the effect of the Company's Solutions services provided to a major RBOC and other inmate telecommunications carriers as discussed in "Overview." These Solutions services exhibit higher telecommunication costs as a percentage of revenue than the Company's traditional inmate business.

Facility commissions increased by $4.3 million, from $71.4 million in 1999 to $75.7 million in 2000. Facility commissions represented 30.1% of operating revenues in 1999 and 32.3% in 2000, an increase of 2.2%. The overall commission percentage to total revenue includes the effect of the billing and collection services provided to a major RBOC as discussed in "Overview." Commission expenses as a percentage of revenue for the Company's traditional inmate collect business was 33.8% and 35.7% for the years ended December 31, 1999 and 2000, respectively. Facility commissions are expected to gradually increase as a percentage of revenue in the future.

Field operations and maintenance costs increased by $0.3 million, from $6.4 million in 1999 to $6.7 million in 2000. Field operations and maintenance costs represented 2.7% of operating revenues in 1999 and 2.8% of operating revenues in 2000, an increase of 0.1%. The Company has substantially completed its consolidation and integration of its acquisitions. Consequently, field operations and maintenance costs are expected to be a relatively constant component of the Company's cost structure.

SG&A costs increased by $0.5 million, from $17.2 million in 1999 to $17.7 million in 2000. SG&A represented 7.3% of operating revenues in 1999 and 7.6% of operating revenues in 2000, an increase of 0.3%. This increase is primarily due to increased staffing to support enhancements to the Company's information systems and to execute new sales initiatives.

Total depreciation and amortization costs decreased by $5.6 million, from $28.7 million in 1999 to $23.1 million in 2000. Depreciation and amortization costs represented 12.1% of operating revenues in 1999 and 9.8% of operating revenues in 2000, a decrease of 2.3%. The decrease as a percentage of operating revenues is primarily due to amortization associated with the acquisitions of inmate facility contracts by the Company. The Company amortizes acquired inmate facility contracts over each contract's remaining term at the acquisition date. As the contract terms expire, the acquired inmate facility contracts become fully amortized and overall amortization expense declines. Amortization expense will continue to be a substantial portion of the Company's operating expenses.

Other (income) expense, consisting primarily of interest expense, remained relatively constant at $19.5 million in 1999 and $19.3 million in 2000.

Net Loss. The Company's net loss decreased by $7.0 million, from $11.1 million in 1999 to $4.2 million in 2000 as a result of the factors described above.

EBITDA increased by $1.3 million from $37.5 million in 1999 to $38.8 million in 2000. EBITDA as a percentage of operating revenues increased from 15.8% in 1999 to 16.6% in 2000 due to the factors described above.

Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles, the Company has included information concerning EBITDA in this Form 10-K because it is commonly used by certain investors and analysts as a measure of a company's ability to service its debt obligations and is a component of the Company's debt compliance ratios. EBITDA should not be used as an alternative to, or be considered more meaningful than, operating income, net income or cash flows as an indicator of the Company's operating performance. Several of the Company's subsidiaries are subject to

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements and Schedules

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Stockholders of Evercom, Inc., and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Evercom, Inc., and subsidiaries (the "Company")as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Dallas, Texas

June 1, 2001

EVERCOM, INC.AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS - Evercom, Inc. and subsidiaries (the "Company") owns, operates and maintains telephone systems under contracts with correctional facilities in 43 states and the District of Columbia. The Company was incorporated on November 20, 1996, and effective December 1, 1996, acquired all of the outstanding equity interests of Talton Telecommunications Corporation and AmeriTel Pay Phones, Inc. The Company has grown through numerous subsequent acquisitions, as discussed in Note 2.

The Company accumulates call activity from its various installations and bills its revenues related to this call activity through major local exchange carriers ("LECs") or through third-party billing services for smaller volume LECs, all of which are granted credit in the normal course of business with terms of between 30 and 60 days. The Company also provides Solutions services in the form of validation, billing and collection services for the inmate calls of a major regional bell operating company and several other inmate telecommunication carriers. The Company performs ongoing credit evaluations of its customers and maintains allowances for unbillable and uncollectible losses based on historical experience.

The Company operates in only one business segment as its operating activities are related to the operation and processing of collect and prepaid calling services to local, county, state and private correctional facilities in the United States.

PREPARATION OF FINANCIAL STATEMENTS - The preparation of financial statements in conformity with accounting principles, generally accepted in the United States, requires management to make estimates and assumptions, such as estimates of allowances and reserves for unbillable and uncollectible chargebacks that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Evercom Systems, Inc. and EverConnect, Inc. As of January 1, 1999, the company merged most of its then existing subsidiaries into Talton InVision, Inc., also a wholly owned subsidiary at that time. Concurrent with the merger, the Company amended Talton InVision, Inc.'s Certificate of Incorporation to continue its existence as Evercom Systems, Inc.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include cash on hand and investments with a remaining maturity at date of purchase of three months or less.

ACCOUNTS RECEIVABLE - Trade accounts receivable represent amounts billed for calls placed through the Company's telephone systems to the various LECs or third-party billing services, net of advance payments received, and an allowance for unbillable and uncollectible calls, based on historical experience, for estimated chargebacks to be made by the LECs. Under account advance agreements with various third-party billing services, advance payments equal to a percentage of the outstanding billed receivables are remitted to the Company when calls are submitted to the third-party billing service, and the Company grants a lien to the third-party billing service on the related accounts receivable for the advance. The remainder of the billed receivable is paid to the Company, net of the advance amounts, after the third-party billing service has collected the amounts receivable from the respective LECs. Interest is charged on the advance payment at varying rates.

INVENTORIES - Inventories are stated at the lower of cost, as determined primarily using the weighted average cost method, or market. Inventory is primarily composed of equipment for installation on new contracts and supplies and parts for the telephone systems serviced by the Company.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the related assets. The following is a summary of useful lives for major categories of property and equipment.

ASSET	USEFUL LIFE
Leasehold improvements	Lesser of life or lease term
Telephone system equipment	3.5 to 7.5 years
Vehicles	3 years
Office equipment	3 to 7 years

Maintenance and repairs are expensed when incurred and major repairs that extend an asset's useful life are capitalized. When items are retired or disposed, the related carrying value and accumulated depreciation are removed from the respective accounts, and the net difference less any amount realized from the disposition is reflected in earnings.

INTANGIBLE AND OTHER ASSETS - Intangible and other assets primarily include amounts allocated to acquired facility contracts, non-compete agreements, goodwill and other intangible assets, which are stated at cost, along with the long-term portion of customer advances. Amortization of intangible assets is provided on a straight-line basis over the estimated useful lives of the related assets. The following is a summary of useful lives for major categories of intangible assets:

ASSET	USEFUL LIFE
Acquired facility contracts	Contract term
Non-compete agreements	Agreement term
Deferred loan costs	Loan term
Other assets and intangibles	2 to 5 years
Goodwill	20 years

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 1999	December 31, 2000
Leasehold improvements	$913,420	$944,292
Telephone system equipment	39,666,667	46,285,050
Vehicles	429,460	430,548
Office equipment	2,540,215	2,727,911
	43,549,762	50,387,801
Less accumulated depreciation	(15,174,405)	(23,318,556)
	$28,375,357	$27,069,245

DEPRECIATION AND IMPAIRMENT - Depreciation and impairment in 1998, 1999 and 2000 includes depreciation expense of $5,996,816; $7,199,737; and $ 8,144,151, respectively. Also included in depreciation and impairment in 1998 is an impairment loss of $695,138, representing the net book value of telephone system equipment that was removed from service.

5. INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist of the following:

	December 31, 1999	December 31, 2000
Intangible and other assets		
Acquired telephone contracts	$67,761,060	$71,566,718
Noncompete agreements	568,611	568,611
Deferred loan costs	8,636,059	9,042,247
Goodwill	84,530,834	84,730,834
Other intangibles	766,502	783,096
	162,263,066	166,691,506
Less accumulated amortization	(65,195,703)	(81,221,978)
	97,067,363	85,469,528
Deposits	431,996	418,150
Other assets - noncurrent portion of commission advances to facilities	229,674	103,704
	$97,729,033	$85,991,382